1Q15 Earnings Release

AREZZO &CO

AREZZO

SCHUTZ

ALEXANDRE BIRMAN

ANACAPRI

Earnings Release - 1Q15

AREZZO | SCHUTZ | ALEXANDRE BIRMAN | ANACAPRI


Belo Horizonte, May 6th, 2015. Arezzo&Co (BM&FBOVESPA: ARZZ3), Brazil's women's footwear, handbags and accessories industry leader, reports its earnings for the 1st quarter of 2015. Unless otherwise indicated, data are based on consolidated numbers in thousands of Brazilian reais and are compiled in accordance with International Financial Reporting Standards (IFRS). All comparisons relate to the same period in 2014 (1Q14) unless otherwise stated.

ARZZ3 share price on 05.05.15:

R$ 25.50

Market value on 05.05.15:

R$ 2,261.4 million

Earnings conference call:

Thursday, May 7th, 2015

11:00AM (Brasília Time)

Connection phone numbers:

Participants calling from São Paulo: +55 11 3193-1001
Participants calling from Brazil and other countries: +55 11 2820-4001
Participants calling from the USA:
1 888 700-0802
Access code: Arezzo&Co

Presentation of slides and connection via webcast (via internet) will be available 30 minutes before at: www.arezzoco.com.br

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Arezzo&Co records net revenue growth of 10.7% in 1Q15, with EBITDA of R$28.1 million

HIGHLIGHTS

- Net revenue in 1Q15 reached R$236.2 million, 10.7% growth over 1Q14;
- In 1Q15, gross profit was R$95.9 million, up by 4.2% against 1Q14;
- EBITDA for 1Q15 totaled R$28.1 million, an increase of 3% against 1Q14, with a margin of 11.9%;
- Net income for 1Q15 was R$18.1 million, with a net margin of 7.7%;
- During the quarter, Arezzo&Co expanded sales area by 11.2% against 1Q14.

Summary of Results	1Q14	1Q15	Growth or spread%
Net Revenues	213,425	236,242	10.7%
Gross Profit	92,061	95,900	4.2%
Grosss Margin	43.1%	40.6%	-2.5 p.p.
EBITDA[1]	27,289	28,111	3.0%
Ebitda Margin	12.8%	11.9%	-0.9 p.p.
Net Income	17,433	18,143	4.1%
Net Margin	8.2%	7.7%	-0.5 p.p.

Operating Indicators	1Q14	1Q15	Growth or spread%
# of pairs sold ('000)	2,058	2,226	8.2%
# of handbags sold ('000)	162	187	15.1%
# of employees	2,022	2,192	8.4%
# of stores*	461	514	53
Owned Stores	54	54	-
Franchises	407	460	53
Outsorcing (as % os total production)	90.3%	91.1%	0.8 p.p
SSS[2] Sell-in (franchises)	8.7%	-4.0%	-12.7 p.p
SSS[2] Sell-out (owned stores + franchises)	3.3%	0.6%	-2.7 p.p
SSS[2] Sell-out (owned stores + web + franchises)	3.8%	2.2%	-1.6 p.p

*Includes stores outside Brazil

1- EBITDA = Earnings before interest, income tax and social contribution on net income, depreciation and amortization. EBITDA is not a measure used in accounting practices adopted in Brazil (BR GAAP), does not represent cash flow for the periods presented and should not be considered as an alternative to net income, as an indicator of operating performance, or as an alternative to cash flow as an indicator of liquidity. EBITDA does not have a standardized meaning and Arezzo&Co's EBITDA definition may not be comparable to adjusted EBITDA of other companies. While EBITDA does not provide, in accordance with the accounting practices adopted in Brazil, a measure of operating cash flows, management uses it to measure operating performance. Additionally, The company believes that certain investors and financial analysts use EBITDA as an indicator of operating performance for a company and/ or its cash flow.

2- SSS (Same-store sales): Stores are included in comparable stores' sales as of the 13th month of operation. Variations in comparable stores' sales in the two periods are based on sales, net of returns, for owned stores, and on gross sales for franchises in operation during both periods under comparison. If a store is included in the calculation of comparable stores' sales for only a portion of one of the periods under comparison, this store will be included in the calculation of the corresponding portion of the other period. When square meters are added to or deducted from a store included in comparable stores' sales, with an impact of over 15% on the sales area, the store is excluded from comparable stores' sales. When a store operation is discontinued, this store's sales are excluded from the calculation of comparable stores' sales for the periods under comparison. As from this period, if a franchisee opens a warehouse, its sales will be included in comparable stores' sales if its franchises operate during both periods under comparison. The so-called "SSS of Franchises – Sell In" refers to comparison of Arezzo&Co's sales with those of each Franchised Store in operation for more than 12 months, serving as a more accurate indicator for monitoring the Group's revenue. On the other hand, "SSS – Sell Out" is based on the point of sales' performance, which, in the case of Arezzo&Co, is a better indicator of Owned Stores' sales behavior and Franchises' sell out sales. The franchise sell-out figures represent the best estimate calculated on the basis of information provided by third parties. Starting in 1Q14, the Company begins to also report SSS sell-out including web commerce.

Gross Revenue	1Q14	Part%	1Q15	Part%	Growth %
Total Gross Revenue	**275,843**		**300,444**		**8.9%**
Exports market	**9,536**	**3.5%**	**16,760**	**5.6%**	**75.8%**
Domestic market	**266,307**	**96.5%**	**283,684**	**94.4%**	**6.5%**
By brand					
Arezzo	*164,554*	*61.8%*	*166,448*	*58.7%*	*1.2%*
Schutz	*88,248*	*33.1%*	*99,389*	*35.0%*	*12.6%*
Anacapri	*11,795*	*4.4%*	*15,885*	*5.6%*	*34.7%*
Other brands¹	*1,710*	*0.6%*	*1,962*	*0.7%*	*14.7%*
By channel					
Franchises	*145,905*	*54.8%*	*146,017*	*51.5%*	*0.1%*
Multibrand	*55,598*	*20.9%*	*66,057*	*23.3%*	*18.8%*
Owned Stores²	*63,928*	*24.0%*	*70,542*	*24.9%*	*10.3%*
Others³	*876*	*0.4%*	*1,068*	*0.3%*	*21.9%*

(1) Includes only domestic markets for Alexandre Birman and other revenues.
(2) Owned Stores: including Web Commerce sales channel.
(3) Includes domestic market revenues that are not specific for distribution channels.

Brands

According to the Company's retail calendar, the first quarter of the year is distinguished by the transition from the summer to the winter collection. From January till Carnival, sales period performed well, reducing the amount of surpluses compared to previous years, resulting in a higher average mark-up. In February, stores displayed the Pre Fall collection, already presenting a few products for the following Winter collection, whose launch occurred in March and which was well received by customers. The change in collections is an important event in Arezzo&Co’s business model. A great deal has to be done to provide a new shopping experience, and changes range from the salesgirls’ uniforms to visual merchandising materials, topped by a strong product mix. All the stores are given a new ambience, and a big sales convention is held at the time of the launch to train the sales team in key fashion trends. The Company also produces a full communications and marketing plan, including new campaigns using international models and actresses, positioning each brand in its target market. Allied to a structured social media plan and appropriate press releases, as well as a series of in-store events, this gives the new collection a good start in the network.

The Arezzo brand achieved gross revenue of R$166.4 million in 1Q15, a 1.2% increase against 1Q14, accounting for 58.7% of total domestic sales. In line with its strategy to always offer the right product at the right time and at the right price, the brand increased the frequency of supplies of new collections to the stores, with six winter collections instead of four. This allowed the Company to have a better reading of sell-out sales, adding to the attractiveness of the products and boosting gross margins in the franchise channel through a larger average mark-up and a smaller surplus at the end of the collections. In this way, the process of improving profitability for franchisees, which started in 3Q14, continued to progress. Also, a major initiative for expanding and refurbishing the brand stores, with a new architectural model, continued during the quarter. Four stores were changed to the new model, and the refurbishments resulted in increased productivity. Twenty more stores will be altered to the new layout during 2015.

The Schutz brand posted gross revenue of R$99.4 million, or 35% of domestic sales, a growth of 12.6% in 1Q15 compared to 1Q14. In line with the strategy to increase share in the brand’s revenues, pride of place continues to be given to handbags, which showed a 45.3% growth in volume for the quarter. Once again, the strategy for the web commerce channel showed strong results, with growth of 74.9% in 1Q15. The innovative branding continued to be underlined by a series of unique events. In the winter collection launch, the brand hosted an event combining fashion, technology and interactivity, with shoppers in the flagship store in São Paulo being invited to try a new mobile app developed specially for Schutz. An eye-catching window display was built with 100 tablets, surfing the social networks and the brand website and showing the entire catalogue, with videos of the new collection, giving the brand a high profile in the main social media and communication vehicles.

The Anacapri brand recorded growth of 34.7% compared to 1Q14, with a total of R$15.9 million in revenue. The brand again entered into strategic partnerships during the quarter to reinforce its branding, and this contributed to a successful launch of the winter collection. The brand also continued its expansion in the franchise channe according to plan. The positive results, with 53 stores in the channel by the end of the quarter, provided the brand a healthy growth. In addition, in 1Q15 the brand started operating on the web commerce channel, offering consumers a quick and "uncomplicated" platform to find products, continuing the Company's Omni Channel strategy.

Brands

The Alexandre Birman brand reinforced its international presence with a series of events in different countries. Alexandre Birman was one of a select group of global luxury brands chosen for a remaking of the story of Cinderella's slipper. The worldwide launch was celebrated at the store in the Iguatemi Shopping Mall, in São Paulo, with 800 key opinion makers and journalists invited to a party followed by the première of the new Disney film. Also in 1Q15, the brand held an event in Paris to launch its new spring collection, which was attended by the press and a number of international celebrities.

Channels

Mono-brands – Franchises and Owned Stores

Following the Company's strategy to strengthen mono-brand stores, the sell-out sales of the Arezzo&Co network (Owned Stores + Web Commerce + Franchises) grew 10.2% in 1Q15 against 1Q14, particularly due to the expansion of the sales area and increase in same-store sales, which were up by 2.2% in the quarter. With regard to the SSS (same-store sales) sell-out indicator, it is worth mentioning that:

(i) the healthy stock level at the end of the summer collection, with less surplus than in previous years, resulted in fewer products to be sold at a discount in the first two months of the quarter, with an adverse effect on the indicator compared with the year before;

(ii) the Company's new ERP caused longer terms for the automatic restocking of core products in the stores, due to changes in internal processes, thus bringing the indicator down by 150 bps;

(iii) with the presentation of the winter collection in March, the SSS indicator turned positive and rose steadily throughout the month;

(iv) the SSS sell-out indicator also includes online sales. Excluding the web commerce channel, SSS would have been 0.6%.

Growth in revenue from mono-brand stores, which comprise franchises sell-in and owned stores sell-out, was 3.2% in 1Q15 over 1Q14, mainly due to the 9.8% increase in sales area in the last 12 months, excluding the new outlets opened, and the healthy growth of 15.1% in handbags volume, thanks to the product development work in the brands. Mono-brand stores accounted for 76.4% of domestic sales in 1Q15.

Sell-in sales, i.e. those made by Arezzo&Co to its franchisees, recorded a decrease in the same franchises (SSS – Franchises) of 4.0% in 1Q15 compared to 1Q14, due mainly to lower volumes of shoes and handbags delivered during the quarter. The Company's strategy for increasing franchisees' margins, with a higher average mark-up and a smaller surplus at the end of the collections, produced an SSS sell-in lower than the SSS sell-out this quarter. In addition, the increase in the number of winter collections in 2015 from four to six led to changes in the supplies timetable, with a larger proportion of collection deliveries during the second quarter than in the previous year. Finally, because of the automatic replacement of continuable products in the stores, the Company's new ERP had adverse impacts also on SSS sell-in.

Due to the reasons mentioned above, Franchises channel's revenues were in line with its sell-in sales for the same period of the previous year, accounting for 51.5% of domestic sales in 1Q15. Fifty-six franchises were opened in the last 12 months, 15 of them under the Arezzo brand, 5 for Schutz and 36 for Anacapri. In the same period 13 Arezzo brand franchises were expanded, adding 343 m² to the channel's sales area.

Taking the Owned Stores channel on its own, there was a growth of 10.3% in revenues for the quarter due to 2.1% increase in the sales area in 1Q15 in comparison with the previous year, excluding outlets, and due to the web commerce growth.

The Company ended the quarter with 508 mono-brand stores in Brazil and 6 abroad. In Brazil there were 375 stores under the Arezzo brand, 74 for Schutz, 57 for Anacapri and 2 for Alexandre Birman.

Channels

History of Stores	1Q14	2Q14	3Q14	4Q14	1Q15
Sales area [1,3] - Total (m²)	**32,138**	**32,381**	**32,859**	**35,641**	**35,735**
Sales area - franchises (m²)	25,498	26,056	26,472	28,466	28,337
Sales area - Owned stores [2] (m²)	6,640	6,325	6,387	7,175	7,398
Total number of domestic stores	**452**	**461**	**472**	**508**	**508**
# of franchises	**399**	**411**	**421**	**455**	**455**
Arezzo	341	342	344	359	356
Schutz	41	43	43	46	46
Anacapri	17	26	34	50	53
# of owned stores	**53**	**50**	**51**	**53**	**53**
Arezzo	17	17	17	19	19
Schutz	27	25	26	27	28
Alexandre Birman	2	2	2	2	2
Anacapri	7	6	6	5	4
Total number of international stores	**9**	**7**	**7**	**8**	**6**
# of franchises	8	6	6	7	5
# of owned stores	1	1	1	1	1

1. Includes areas in square meters of international stores
2. Includes 7 outlet-type stores with a total area of 2,882 m²
3.Includes areas in square meters of stores expansion

Multibrands

In 1Q15, revenue from the Multibrand channel grew 18.8%, continuing the growth recovery of the previous quarters, due to the Company's strategy to unify the management of all brands in the channel, in addition to the continued interest shown by shop owners in products and brands with a history of greater assertiveness at the point of sale. The Company believes in the strategic importance of the channel, and is working to attract new customers, increase the share of wallet from existing customers through new categories, such as handbags, and encourage cross-selling among brands.

With the disqualification of some of the channel's stores, beggining in the second half of 2013 with a view to preserving its branding, the group's four brands are now distributed through 2219 stores, down 5.8% over 1Q14, with a presence in 1204 cities.

Key financial indicators	1Q14	1Q15	Growth or spread%
Net revenues	213,425	236,242	10.7%
COGS	(121,364)	(140,342)	15.6%
Gross profit	92,061	95,900	4.2%
Gross margin	*43.1%*	*40.6%*	*-2.5 p.p.*
SG&A	(67,981)	(73,573)	8.2%
% of net revenues	*31.9%*	*31.1%*	*-0.8 p.p*
Selling expenses	(45,922)	(51,064)	11.2%
Owned stores	(22,571)	(22,958)	1.7%
Selling, logistics and supply	(23,351)	(28,106)	20.4%
General and administrative expenses	(17,914)	(15,912)	-11.2%
Other operating revenues (expenses)[2]	(936)	(813)	-13.1%
Depreciation and amortization	(3,209)	(5,784)	80.2%
EBITDA	27,289	28,111	3.0%
EBITDA margin	*12.8%*	*11.9%*	*-0.9 p.p.*
Net income	17,433	18,143	4.1%
Net margin	*8.2%*	*7.7%*	*-0.5 p.p.*
Working capital[1] - as % of revenues	28.0%	28.1%	0.1 p.p
Invested capital[2] - as % of revenues	39.3%	42.0%	2.7 p.p.
Total debt	96,652	98,138	1.5%
Net debt[3]	(110,901)	(112,011)	1.0%
Net debt/EBITDA LTM	-0.7x	-0.7x	n/a

1 - Working Capital: current assets minus cash, cash equivalents and marketable securities less current liabilities minus loans and financing and dividends payable.
2 - Invested capital: working capital plus fixed assets and other long-term assets less income tax and deferred social contribution.
3 - Net debt is equal to total interest-bearing debt position at the end of a period less cash and cash equivalents and short-term financial investments.

Net revenues

The Company's net revenue totaled R$236.2 million in the quarter, a growth of 10.7% over 1Q14. Some of the primary factors leading to this growth are:

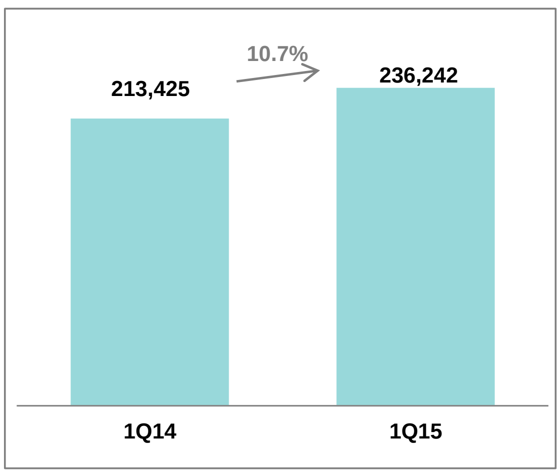
i) Expansion of 9.8% in sales area compared to 1Q14, excluding outlets, with particular reference to the growth of 11.5% increase in the Franchises area;

ii) Growth of 8.2% in volume in shoes and 15.1% in handbags;

iii) Increase of 2.2% in the same store sales sell-out indicator and decrease of 4.0% in SSS sell-in;

iv) The Multibrand channel grew 18.8% against 1Q14, primarily due to the greater interest shown by the channel in brands and products with a history of greater assertiveness;

v) Ending of the benefit of a reduction in the ICMS rate, which added R$1.6 million in net revenue in 1Q14.

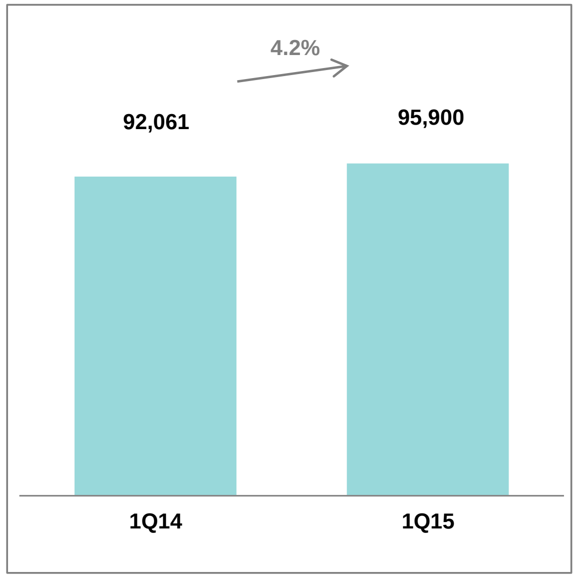


Gross profit

Gross profit totaled R$95.9 million in 1Q15, an increase of 4.2% in comparison with 1Q14, with a gross margin of 40.6%.

Gross profits growth in 1Q15 reflects, in particular, the net revenues growth of 10.7%.

The Company pursues a strategy of maintaining channel margins stable. The greatest variations are seen in the Owned Stores channel. In 1Q15, change in channels sales mix impacted the consolidated gross margin. In this quarter, unlike 1Q14, outsourcing agents expenses were included in costs of goods sold instead of in selling expenses of selling, logistics and supply, and this had a negative impact on the gross margin. In addition to this change, the introduction of new controls due to the Company's new ERP also resulted in a rearrangement of the payment periods for outsourcing agents costs, with a greater proportion in the first quarter. This should be offset in the quarters to come in the year. Thus, costs with outsoucing agents impacted gross margin in 110 bps.



In addition, the end of the benefit of the ICMS rate also impacted gross margin in comparison with 1Q14 in 40 bps.

Operating Expenses

The Company works diligently to adjust its level of expenses to its growth. In this quarter, there was a reduction in administrative expenses to a level below 1Q14.

Selling expenses

The Company's selling expenses can be divided into two primary groups:

i) Owned Stores Expenses:
- Include only owned stores (sell-out) expenses.

ii) Sales, Logistics and Supply Expenses:
- Include sell-in and sell-out operating expenses.

In 1Q15 selling expenses increased by 11.2% against 1Q14, reaching R$51.1 million against R$45.9 million in the same quarter of the previous year. Selling, logistics and supply expenses totaled R$28.1 million in the period, up by 20.4% against the same period of the previous year, primarily due to the implementation of the Company's new ERP, which resulted in a rearrangement of the payment period for freight charges. This added R$1.8 million for the quarter, which should be offset in the quarters to come in the year. In addition, past commercial agreements in the US operation were ended, resulting in selling expenses of R$2 million.

Owned stores expenses totaled R$23.0 million in 1Q15, up by 1.7% in comparison with 1Q14, lower than the 10.3% growth in their sell-out.

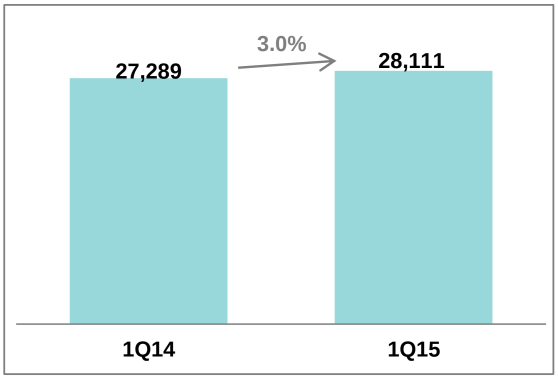
General and Administrative Expenses

In 1Q15, general and administrative expenses totaled R$15.9 million, a decrease of 11.2% from the R$17.9 million seen in the same quarter of the previous year. This was mainly due to non-recurring expenses of R$1.2 million in 1Q14, and other savings through control of several other expenses.

Other Revenues (Expenses)

In 1Q15, the Company showed a balance of R$813 thousand for other operating expenses, in line with the amount of R$936 thousand in 1Q14.

EBITDA and EBITDA margin



The Company's EBITDA grew 3% in 1Q15 over 1Q14, totaling R$28.1 million. The EBITDA margin for 1Q15 was 11.9%, against 12.8% for 1Q14. The primary factors leading to the EBITDA in the quarter were:

(i) Increase of 10.7% in net revenue;

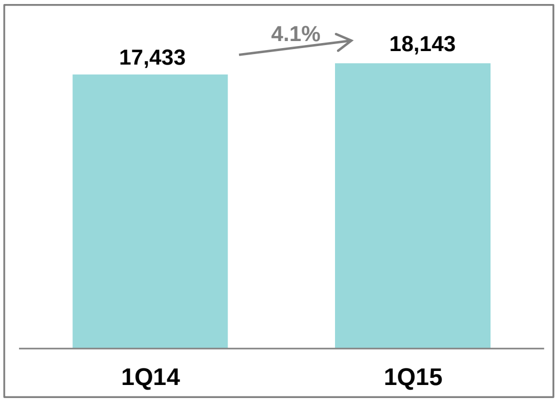
(ii) Growth of 4.2% in gross profit;

(iii) Operating expenses as a percentage of revenues at 31.1%, or a decrease of 80 bps against 1Q14.

It should be mentioned that the 1Q15 results are in line with the Company's forecast. Excluding only the R$2.0 million non-recurring effects from the US operation as mentioned above, the EBITDA margin would have been in line with what was presented in 1Q14.

EBITDA Reconciliation	1Q14	1Q15
Net income	17,433	18,143
(-) Income tax and social contribution	(9,564)	(12,207)
(-) Financial results	2,917	8,023
(-) Depreciation and amortization	(3,209)	(5,784)
(=) EBITDA	27,289	28,111

Net Income and net margin (%)



The Company showed EBITDA with an 11.9% margin in 1Q15 converted to net income with a 7.7% margin for the quarter. This result reflects the higher allocation of capital to fixed assets during the last three years due to the increase in the number of owned stores and heavier investment in IT.

Due to the higher level of fixed assets in 1Q15, in comparison with 1Q14, depreciation increased by 80.2% for the quarter.

In addition, because of the results incurred in the overseas operation, the income tax rate for 1Q15 was higher than in 1Q14.

Excluding the effects of the higher tax rate and the non-recurring effect in US operation, EBITDA conversion to net income for the quarter would have been higher than the previous year. Net income was R$18.1 million in 1Q15, and net margin was 7.7%.

Operating cash flow

Arezzo&Co generated R$24.2 million in operating cash in 1Q15, due mainly to the higher operating profit during the quarter and a greater need for working capital. Working capital was impacted as a result of temporary differences arising from the seasonality of the business.

Operating Cash Flow	1Q14	1Q15	Change in R$	Change in %
Income before income tax and social contribution	**26,997**	**30,350**	**3,353**	**12.4%**
Depreciation and amortization	**3,209**	**5,784**	**2,575**	**80.2%**
Other	**(3,184)**	**4,149**	**7,333**	**n/a**
Decrease (increase) in current assets / liabilities	**9,202**	**(13,077)**	**(22,279)**	**n/a**
receivables	2,503	(18,925)	(21,428)	n/a
Inventories	(17,774)	(23,186)	(5,412)	30.4%
Suppliers	39,400	34,130	(5,270)	-13.4%
Change in other noncurrent and current assets and liabilities	(14,927)	(5,096)	9,831	-65.9%
Payment of income tax and social contribution	**(2,342)**	**(3,019)**	**(677)**	**28.9%**
Net cash flow generated by operational activities	**33,882**	**24,187**	**(9,695)**	**-28.6%**

Investments - Capex

The Company's investments can be broken down into 3 types: 1) investment in expansion or refurbishment of owned points of sale; 2) corporate investments, including IT, facilities, showrooms and offices; and 3) other investments, which are primarily related to modernization of its industrial operations.

Total Capex in 1Q15 was R$10.3 million, primarily due to corporate investments in IT, to finalize the implementation of the Company's new ERP, and in the web commerce channel to develop a platform to support growth for all the brands. In addition, R$1.0 million was invested in machinery and equipments to increase efficiency in one of the factories.

Summary of investments	1Q14	1Q15	Var. (%)
Total capex	**9,858**	**10,292**	**4.4%**
Stores - expansion and refurbishing	3,182	468	-85.3%
Corporate	6,086	7,496	23.2%
Other	590	2,328	294.6%

Cash position and indebtedness

The Company ended 1Q15 with R$112.0 million in net cash. Indebtedness policy remained conservative, with the following primary characteristics:

• Total debt of R$98.1 million in 1Q15 against R$96.7 million in 1Q14;
• Long-term indebtedness was 33.0% of total debt in 1Q15, against 38.3% in 1Q14;
• The weighted average cost of the Company's total debt in 1Q15 remained at lower levels.

Cash position and Indebtedness	1Q14	4Q14	1Q15
Cash	**207,553**	**200,385**	**210,149**
Total debt	96,652	99,410	98,138
Short term	59,680	65,081	65,718
% total debt	61.7%	65.5%	67.0%
Long-term	36,972	34,329	32,420
% total debt	38.3%	34.5%	33.0%
Net debt	**(110,901)**	**(100,975)**	**(112,011)**

ROIC (Return on Invested Capital)

In line with the Company's strategic direction, aimed at sustainability and long-term operating improvements, levels of investment in capital employed exceeded those of previous years. Return on Capital Invested (ROIC) was 22.3% in 1Q15, affected primarily by the concentration of investments in infrastructure, such as the investment in implementing the Company's new ERP, which will only bear fruit in the medium to long term.

Income from operations	1Q13	1Q14	1Q15	Growth (%)
EBIT (LTM)[1]	141,005	146,519	155,041	5.8%
+ IR and CS (LTM)[2]	(40,571)	(46,401)	(54,163)	16.7%
NOPAT	**100,434**	**100,118**	**100,878**	**0.8%**
Working Capital[3]	221,069	272,718	302,429	10.9%
Permanent assets	116,901	139,892	170,350	21.8%
Other long-term assets[4]	7,650	8,451	9,788	15.8%
Invested capital	**345,620**	**421,061**	**482,567**	**14.6%**
Average invested capital[5]		**383,341**	**451,814**	**17.9%**
ROIC[6]		**26.1%**	**22.3%**	

1 – Does not include a non-cash, non-recurring impact of R$8.7 million due to the implementation of the new ERP in 4Q14.
2 – An impact of R$2.8 million has been made to reflect the above-mentioned effect on EBIT for the last 12 months.
3 - Working Capital: current assets minus cash, cash equivalents and financial investments less current liabilities minus loans and financing and dividends payable.
4 - Less deferred income tax and social contribution.
5 - Average invested capital in the period and same period previous year.
6 - ROIC: NOPAT for the last 12 months divided by average invested capital.

Balance sheet

Assets	1Q14	4Q14	1Q15
Current assets	**596,400**	**618,653**	**668,561**
Cash and cash equivalents	10,973	10,831	7,536
Financial Investments	196,580	189,554	202,613
Trade accounts receivables	244,997	277,913	296,838
Inventory	102,756	98,131	121,079
Taxes recoverable	24,775	27,742	25,164
Other credits	16,319	14,482	15,331
Non-current assets	**156,635**	**177,856**	**186,292**
Long-term receivables	16,743	12,013	15,942
Financial Investments	27	29	55
Deferred income and social contribution	8,292	4,124	6,154
Other credits	8,424	7,860	9,733
Property, plant and equipment	69,435	75,767	76,665
Intangible assets	70,457	90,076	93,685
Total Assets	**753,035**	**796,509**	**854,853**

Liabilities	1Q14	4Q14	1Q15
Current liabilities	**175,809**	**178,803**	**221,701**
Loans and financing	59,680	65,081	65,718
Suppliers	74,259	70,315	104,445
Other liabilities	41,870	43,407	51,538
Non-current liabilities	**43,996**	**41,413**	**39,521**
Loans and financing	36,972	34,329	32,420
Related parties	355	950	1,152
Other liabilities	6,669	6,134	5,949
Equity	**533,230**	**576,293**	**593,631**
Capital	219,186	220,086	260,197
Capital reserve	67,543	70,739	31,943
Income reserves	229,068	250,120	250,120
Adjustments to equity valuation	0	0	-2,120
Additional proposed dividend	0	35,348	35,348
Profit	17,433	0	18,143
Total liabilities and shareholders' equity	**753,035**	**796,509**	**854,853**

Income statement (IFRS)

Income statement - IFRS	1Q14	1Q15	Growth %
Net operating revenue	**213,425**	**236,242**	**10.7%**
Cost of goods sold	(121,364)	(140,342)	15.6%
Gross profit	**92,061**	**95,900**	**4.2%**
Operating income (expenses):	**(67,981)**	**(73,573)**	**8.2%**
Selling	(47,721)	(54,966)	15.2%
Administrative and general expenses	(19,324)	(17,794)	-7.9%
Other operating income net	(936)	(813)	-13.1%
Income before financial result	**24,080**	**22,327**	**-7.3%**
Financial income	2,917	8,023	175.0%
Income before income taxes	**26,997**	**30,350**	**12.4%**
Income tax and social contribution	(9,564)	(12,207)	27.6%
Current	(12,342)	(14,237)	15.4%
Deferred	2,778	2,030	-26.9%
Net income for period	**17,433**	**18,143**	**4.1%**

Cash Flow - IFRS

Statement of cash flow	1Q14	1Q15
Operating activities		
Income before income tax and social contribution	26,997	30,350
Adjustments to reconcile net income with cash from operational activities	**25**	**9,933**
Depreciation and amortization	3,209	5,784
Income from financial investments	(4,310)	(5,383)
Interest and exchange rate	(953)	8,076
Other	2,079	1,456
Decrease (increase) in assets		
Trade accounts receivables	2,503	(18,925)
Inventory	(17,774)	(23,186)
Recoverable taxes	(5,588)	2,578
Variation other current assets	(117)	(4,189)
Judicial deposits	562	(311)
Decrease (increase) in liabilities		
Suppliers	39,400	34,130
Labor liabilities	(2,500)	(3,214)
Fiscal and social liabilities	(6,373)	(411)
Variation in other liabilities	(911)	451
Payment of income tax and social contribution	(2,342)	(3,019)
Net cash flow from operating activities	**33,882**	**24,187**
Investing activities		
Disposal of fixed and intangible assets	2,463	-
Acquisitions of fixed and intangible assets	(9,860)	(10,292)
Financial Investments	(84,585)	(116,487)
Redemption of financial investments	64,216	108,785
Net cash used in investing activities	**(27,766)**	**(17,994)**
Financing activities with third parties		
Funding	10,291	18,547
Payments of loans	(10,718)	(27,098)
Payments of Interest on loans	(386)	(797)
Net cash used in financing activities - third parties	**(813)**	**(9,348)**
Financing activities with shareholders		
Interest on equity capital	(7,598)	-
Distribution of profits	-	-
Receivables (payables) with shareholders	(518)	202
Share Issuance	-	-
Share issuance transaction costs	-	-
Net cash used in financing activities	**(8,116)**	**202**
Increase (decrease) in cash and cash equivalents	**(2,813)**	**(2,953)**
Cash and cash equivalents		
Foreign exchange effect on cash and cash equivalents	-	(342)
Cash and cash equivalents - Initial balance	13,786	10,831
Cash and cash equivalents - Closing balance	10,973	7,536
Increase (decrease) in cash and cash equivalents	**(2,813)**	**(2,953)**

Important Notice

Information contained herein may include forward-looking statements and reflects management's current view and estimates concerning the evolution of the macro-economic environment, industry conditions, company performance, and financial results. Any statements, expectations, capabilities, plans and assumptions contained in this document that do not describe historical facts, such as statements regarding declaration or payment of dividends, the future course of operations, the implementation of material operational and financial strategies, the investment program, and the factors or trends affecting financial condition, liquidity or results from operations, are deemed forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties. There is no guarantee that these results will actually materialize. Statements are based on many assumptions and factors, including economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. Arezzo&Co's consolidated financial information presented herein complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), based on audited financial data. Non-financial and other operating information has not been audited by independent auditors.